



## Plan to welcome 2018 with our New Year's Eve guide

Velocity, 1D

# Courier Journal

Louisville, Kentucky

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## Workers sue retirement system

### Allege state officials bungled portfolio, concealed situation

**Tom Loftus**  
Louisville Courier Journal  
USA TODAY NETWORK

FRANKFORT, Ky. — Struggling with a growing financial crisis in 2011, officials of Kentucky Retirement Systems gambled with a \$1.2 billion investment in risky hedge funds and for years masked the severity of the crisis with false assumptions of its future investment returns, a lawsuit filed Wednesday alleges.

The 143-page lawsuit charges that certain KRS officials, its consultants, selected board members, three hedge fund firms and their top executives played roles in a “civil conspiracy” that involved hedge fund investments that eventually went sour and actions that obscured the systems’ financial woes.

The suit was filed by eight current and former Kentucky public employees in Franklin County Circuit Court.

It charges that international hedge fund sellers — KKR/Prisma Capital

Partners, Blackstone Group and Pacific Alternative Asset Management — breached their fiduciary duty by luring the Kentucky systems to make investments without fully disclosing the high risks, massive fees and lack of transparency.

But also named as defendants are major KRS consultants, several former or current KRS board members and administrators for allegedly also violating

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The suit was filed six days before the convening of the 2018 Kentucky General Assembly where lawmakers are preparing to address a pension reform plan that Gov. Matt Bevin had hoped to pass during a special legislative session this year.

“A kid isn’t going to worry about math homework if they’re hungry or don’t have a bed to sleep in.”

**Justin DeLorenzo** coordinates the Family Resource Centers at two elementary schools, making sure disadvantaged kids have needed school supplies, winter clothing and food



Family Resource Center coordinator Justin DeLorenzo helps to unwrap presents with a student during a party held at Bowen Elementary School with help from LMPD’s 8th Division. MICHAEL CLEVENGER/COURIER JOURNAL

## ‘Need doesn’t go away’

### Cuts could erase progress made with school outreach, educators say

**Mandy McLaren** Louisville Courier Journal | USA TODAY NETWORK

**A**n empty stomach. A throbbing tooth. A sleepless night. ✉ For nearly 30 years, Kentucky schools have reached beyond classroom walls to tackle the things making it tough for kids to learn. ✉ From food, to health care, to housing, state-funded centers have operated out of high-poverty schools, connecting students and their families with needed resources. Decades before this model would become a favored strategy for transforming failing schools, Kentucky was a pioneer. ✉ “We’re not perfect. We’re a poor state,” said Melissa Goins, who oversees the state’s centers. “But we were on the forefront.” ✉ But in recent years, the Bluegrass State has lost its edge.

Education funding has yet to rebound from the Great Recession, causing school districts to pick up a greater share of costs. In turn, the funding gap between the state’s richest and poorest districts has widened to a level not seen in decades. And after Gov. Matt Bevin’s office pushed for \$70 million worth of cuts at the Kentucky Department of Education in September, things may be about to get worse.

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**USA TODAY**

Much of the United States will ring in the New Year in the depths of a deep freeze. **1B**

**Braidy Industries names its shareholders**

State-subsidized company decides to release a list of backers, but little else. **3A**

**Weather**

High 26° ✉ Low 19°  
Lots of clouds. Forecast, **2A**

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